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**BUDGET, FINANCE, AND CONVENTION CENTER STANDING COMMITTEE MEETING HAWAII'  
TOURISM AUTHORITY**

**Tuesday, February 20, 2024, at 1:30 p.m.**

**Virtual Meeting**

**MINUTES OF THE BUDGET, FINANCE & CONVENTION CENTER STANDING COMMITTEE MEETING**

**MEMBERS PRESENT:**

David Arakawa (Chair), Kimberly Agas (Vice-Chair), James Tokioka (Ex Officio, DBEDT Director), Mike White

**MEMBERS NOT PRESENT:**

Jame McCully, Blaine Miyasato

**HTA STAFF PRESENT:**

Daniel Nāho'opi'i, Isaac Choy, Caroline Anderson, Maka Casson-Fisher

**GUESTS:**

Teri Orton, Mari Tait

**LEGAL COUNSEL:**

John Cole

**1. Call to Order and Opening Protocol**

Chair Arakawa called the meeting to order at 1:34 p.m. Mr. Casson-Fisher opened the meeting by recognizing the passing of the veteran journalist Emme Tomimbang and encouraging the board members to remember the stories she told and the histories she left behind.

**2. Roll Call to Announce Name of Participating Board Members and to Identify Who Else is Present with Board Member if Location is Nonpublic**

Mr. Choy conducted the roll call. All the members in attendance confirmed that they were alone. Mr. McCully and Mr. Miyasato were excused.

### **3. Approval of Minutes of the January 24, 2024, Budget, Finance, and Convention Center Standing Committee Meeting**

Chair Arakawa proposed a motion to approve the January 24, 2024, minutes, and Dir. Tokioka seconded it. There were no comments from the committee members or the public. Mr. Choy conducted the roll call, and the motion passed unanimously.

### **4. Presentation, Discussion, and Action on the Hawai'i Tourism Authority (HTA's) January 2024 Financial Report; Recommend Approval**

Chair Arakawa proposed a motion to recommend approval of the HTA's January 2024 Financial Report, and Dir. Tokioka seconded the motion. Mr. Choy projected the January 2024 financial statements on the shared screen and informed the committee that Mr. Talon Kishi, now a licensed CPA, prepared this report.

Mr. Choy explained that the balance sheet showed the Tourism Fund, which combined the General and Tourism Special Fund. He reminded the committee that funding had been carried out differently during the previous two years. Special funds were awarded for part of 2022, and a special operation was awarded by the governor this year.

The Convention Center Special Fund had \$47 million allocated for repairs and maintenance, including \$7.8 million appropriated by the Governor. The Convention Center Roof Repair Fund comprised \$15 million from bond funds, of which \$14,871,000 remained. Details of the Tourism Emergency Special Fund would be given later in the agenda, and Ms. Anderson would explain the disposition of Federal Funds. The footnote disclosures stated in detail how funds had been used.

Mr. Choy explained that the income statement showed how funds had been spent over the past seven months, and in future months, the figures would change as encumbered funds were expended. The insurance premium was \$698,000 from the Convention Center Special Fund. Mr. Choy acknowledged a typographical error on the balance sheet in the spelling of General Obligation Bonds.

The bank statement was attached to the balance sheet to demonstrate that the money existed, and this was important since Mr. Kishi had total control over the emergency fund.

The financial statement for the HCC included a consolidated balance sheet comparing the situation on December 31, 2023, with that of December 31, 2022.

Chair Arakawa asked for clarification of page 7 concerning the Employees Retirement System of the State of Hawai'i (ERS) and the Hawai'i Employer Union Health Benefits Trust Fund (EUTF), and Mr. Choy informed him that these figures were accrued once a year. They could only be obtained when ERS and EUTF calculated the portion of benefits due to the HTA.

There were no further questions from committee members or members of the public.

The motion was carried unanimously.

**5. Presentation, Discussion, and Action on the Hawai'i Convention Center's January 2024 Report and Update on the Hawai'i Convention Center's 6-Year CIP Plan; Recommend Approval**

Mr. Choy proposed a motion to approve the HCC's January 2024 Report and Update on the HCC 6-Year CIP Plan. Dir Tokioka seconded the motion.

The General Manager of the HCC, Ms. Orton, presented the HCC January 2024 Report and Update. During January, the center hosted 15 licensed events, as many as had been anticipated by the budget. One was a city-wide sporting event, the Transpacific Volleyball Championships, and the other was local. The monthly revenue exceeded \$1.2 million, including \$176,000 in other income, which was mainly interest. This revenue was \$342,500 more than had been budgeted. The posted loss was \$422,900, \$239,200 less than budgeted.

For the Financial Year 2024, the HCC projected a gross revenue of \$25 million, including \$1.5 million of interest and a net loss of \$186,000, compared with budget numbers of gross revenue of \$18.5 million and a net loss of \$5.3 million. This was the highest-grossing year since the center's opening, and the savings in state subsidies were forecasted to be \$5.1 million.

Ms. Orton pointed to a more important consideration in terms of the overall economic impact of the HCC. Hosting of events generated \$370.3 million in economic impact and \$43.3 million in tax revenue. These events included 220 local events and 11 city-wide events to date. It was hoped that if this trend continued, the center might break even by the end of the financial year or have a small surplus.

Mr. Choy asked whether local events' economic impact and tax revenue were tracked. Ms. Orton explained that local events generated little or no tax revenue since the tax income was mainly derived from the Transient Accommodations Tax (TAT) derived from hotel stays.

Mr. Choy congratulated the staff of the HCC on their good financial record. Mr. Ka'anā'anā also praised the sales staff's efforts in partnership with the center. The city-wide sales team had brought in 20 city-wide events, which were major revenue sources since local businesses did

not bring in the same income level. The center had hosted some major city-wide events, one of which involved half a million dollars in food and beverage spending.

Ms. Orton stated that from July 2023 to January 2024, the return on investment (ROI) of the Convention Center had been \$15.33 per dollar spent. This was due mainly to the eleven city-wide events hosted to date. Nine more were scheduled for the next five months. The report gave details of some recent events, such as the Hawai'i Dental Convention with 3,000 participants and the AAU Grand Prix with 4,000 participants. Joy of Saké was scheduled for February 23 with 1,000 participants.

Upcoming local and city-wide events included the NDIA Pacific Operational Science and Technology Conference with 1,700 participants and Kawaii Kon with 18,000 participants.

Sustainability was an important concern, and events hosted by the center sponsored the planting of 272 trees, offsetting 2.64 metric tons of carbon dioxide.

Ms. Tait gave details of the Convention Center Repair, Maintenance, and Replacement program. Her report showed photographs of new equipment, such as coffee and beverage dispensers and mogogo banquet displays. Four of the more than thirty transformers in the building had been replaced in January. The transformers that had been replaced were original units installed at the time of building, and it was expected that the new equipment would increase efficiency and reduce energy costs. Wallpaper in the ballroom had been replaced to match the existing meeting room wallpaper, making maintenance easier to manage and reducing inventory.

The exterior cameras had been upgraded to high-definition equipment to prevent or discourage vandalism. Ms. Orton explained that these involved persons projecting ball bearings or bolts into the center's windows, which had caused \$150,000 in damage. Each window weighed more than 500 pounds and might cost between \$20,000 and \$30,000 to replace. Treating the outside of the windows with a protective film did not solve the problem because the window was then likely to fall in one piece, with grave danger to passers-by. The new cameras allowed the license plate, make, and model of perpetrators to be identified. This had been done for the most recent incident, and the information had been forwarded to the police.

Ms. Tait presented a spreadsheet showing the 6-year capital investment plan and gave details of upcoming projects. A contractor had been engaged to carry out exterior painting, and he was working with the center administration to schedule the work around the event schedule and other repair projects, such as the repair of the planters.

The replacement of the chiller was going well and the crane to lift out the old unit and insert the new one was programmed for March 25 to 27. Again, this had to fit around events since the trailer for the crane was so long that it would block part of the loading dock. The contract for the LED lighting had been awarded, and the next stage was to conduct a mockup to ensure that the lights were as required.

The modernization of the escalator was at the RFP stage, and there was interest from several companies in this large project. Three site visits were conducted to allow the companies to assess how to frame their proposals. Tenders were due in March.

Solicitation was underway to architectural firms for two projects: roof parapet repair and china and equipment for food and beverage. At present, the focus is on the upgrade of china and glass for which proposals have recently been received, while during the following week, proposals will be accepted for the roof parapet repair.

Ms. Tait gave a detailed list of projects with which Cummings Group was involved and a list of RMR projects completed during the past four years.

Mr. Choy conducted the vote on the motion, which was carried unanimously.

## **6. Presentation, Discussion, and Action on HTA Budget Issues, Comments, and Suggestions Raised by Legislators, Board Members, Staff, Stakeholders, etc., Such as:**

Mr. Choy reminded committee members that no further votes would be taken during this meeting. He also congratulated Mr. Ka'anā'anā for completing 8.1 miles of the Great Aloha Run the previous day.

### **a. Status of Use of the Tourism Emergency Special Fund**

Mr. Choy thanked Chair Arakawa for his interest in financial matters and noted that he had spent much time at the Convention Center. Mr. Choy presented a spreadsheet showing the Tourism Emergency Special Fund status as of February 14, 2024. He explained that \$2.6 million had been budgeted for the USA Market Recovery Program 1, and this amount had already been expended. \$2.95 million had been budgeted for USA Market Recovery Program 2, of which only \$1.35 million was to be drawn from the Tourism Emergency Special Fund while the remaining \$1.6 million was from the General Fund.

Of the \$5 million budgeted for the Tourism Emergency Special Fund, \$4,976,000 had been committed, and the amount paid out to date was \$2,851,000.

Dir. Tokioka asked whether the commercial being shown on television at present had been financed from this fund. Ms. Anderson responded that the cost of airing the commercial and print advertisements was \$200,000, but this amount was not shown on the spreadsheet. The commercial production cost was part of the \$125,000 allocated for Maui communications.

**b. Status of Response to House Tourism Chair Quinlan’s Review Comments on FY 2024 Operating Budget**

Mr. Choy reminded the committee that the issue with the Financial Year 2024 operating budget was due to the fact that the HTA had not been granted funding by the Legislature at the end of the last legislative session and as a result had to ask for funds from the Governor. Although the HTA had requested \$64 million, the Governor had awarded \$60 million. An email from House Tourism Chair Quinlan contained some comments about this situation.

Chair Arakawa thanked Interim CEO Nāho’opi’i and his staff for their detailed response to this email, which was included in the committee information packet. Chair Quinlan’s email was sent on June 15, and the HTA response on December 15. Asked whether Chair Quinlan had replied to the HTA response, Mr. Nāho’opi’i said that discussions had taken place and Chair Quinlan had provided information relevant to the budget during the House Committee hearings. Chair Arakawa asked that subsequent comments be shared with the Board.

Mr. Nāho’opi’i pointed out that the recommendations of Chair Quinlan were reflected in the proposed budget for FY 2025.

**c. Update on Campaign Effectiveness, Cost/Benefit Ratio, and ROI for Incremental Budget Requests**

Mr. Choy presented a large spreadsheet showing campaign effectiveness, cost/benefit ratio, and return on investment for the incremental budget request and all the HTA programs. This contained detailed information from 2019 to 2023, which will be discussed at the next Board meeting.

Ms. Anderson gave some background on preparing this spreadsheet, stating that staff compiled all past contracts and examined invoices, key performance indicators (KPIs), and return on investment (ROI).

Chair Arakawa stated that the Board and the public would be able to study this spreadsheet so that questions could be discussed at next month’s meeting.

Mr. Choy reminded the committee that the detailed spreadsheet comparing funding per visitor, revenue per funding, and visitor statistics on an island-by-island basis was the response to a question from Sen. DeCoite.

**d. Status of HTA Past Due Accounts**

Chair Arakawa informed the committee that as soon as he was made Chair of the BFCC, several major vendors contacted him to complain about late payment of their invoices.

Mr. Choy stated that this was a serious concern since it was important not only for vendors to be confident of being paid on time but also for the HTA to know that deliverables would be handed over on time and contracts adhered to. He had modified Procedure 400-20.01 Contract Monitoring and Procedure and Procedure 400-20.02 Contract Deliverables. He had also assigned two staff members, Ms. Lasconia and Ms. Carvalho, to oversee contracts and incoming invoices. He had kept the executive informed about this situation. Mr. Choy recommended that this be a permanent agenda item so that the committee would be informed of delinquencies with deliverables. It was important for the Budget Committee Chair to be kept informed so that the HTA was seen to be taking this issue seriously, along with paying vendors promptly.

Chair Arakawa reminded the committee that Mr. Choy's email on this subject was included in their information packet. He thanked the HTA staff who were responsible for monitoring and tracking invoices. Policies and procedures for reviewing deliverables and signing off on contracts by the manager were already laid down in the HTA handbook.

**e. Status of Contracts and Payments for all Branding Incremental Requests**

**f. Status of Executive Employment Contracts and Bonuses**

**g. Status of Communication for any Outside Requests About the Budget, Including the Legislature**

Mr. Choy stated that he had not prepared detailed responses to agenda items e, f, and g. He believed it was important to provide a considered response to issues about which the Chair expressed a concern. Depending on the legislative and auditing schedule, these items would appear on future agendas.

Chair Arakawa explained that item 6e related to the incremental budget requests made in response to the wildfires. He understood that some contracts were being drafted and expected that questions about this delay would be raised in the legislature and the audit.

Agenda item 6f related to issues within the purview of the Administrative and Audit Committee, but the Budget and Finance Committee had to be involved in deciding whether to ask the Governor for bonuses or raises. Hence this issue could only be discussed after a decision by the Administrative and Audit Committee.

Agenda item 6g would be handled during the next meeting.

#### **h. Status and Discussion on Travel Policies and Procedures**

Mr. Choy had inspected three types of travel: out-of-state, in-state, and board travel. He had sampled travel receipts and requests and found them all in order. He reported that the staff was doing a good job of tracking travel. Dir. Tokioka approved out-of-state travel, and in Mr. Choy's opinion, there was effective internal control.

Regarding travel for Board members, Chair Arakawa informed the committee that he would respond next month. Mr. Choy suggested that committee members study the documents in the meantime and get back to him later with questions.

#### **i. Status and Discussion on Contract Modifications Policies and Procedures**

Mr. Choy stated that the discussion about modifying contracts was to include deliverables. Over the past few months, several discussions have been about contract modification due to wildfires. It had sometimes been difficult to check on deliverables, and a suggestion had been made that this checking should be waived and invoices paid as they came in. However, it was clear that key performance indicators (KPIs) could not be ignored. Occasionally, a contract might have to be modified due to unexpected circumstances. Mr. Choy promised that this issue would be discussed in future committee meetings.

#### **j. Status and Discussion on Unused Funds in the Tourism Special Fund**

Interim CEO Nāho'opi'i asked about unused funds in the Tourism Special Fund, and Mr. Choy presented a spreadsheet with details. As of February 14, 2024, the total amount was \$14,126,550, of which 7,167,955 was encumbered. The unencumbered amount was \$6,958,595. Mr. Choy reminded the committee that the Tourism Special Fund had been eliminated in 2022.

Chair Arakawa informed the committee that agenda item 6k would be discussed between now and the next meeting. He reminded the committee that no budget had been designated for the HTA at the end of the last legislative session. Out of the Governor's discretionary fund of \$200



million, the HTA had requested \$64 million and had been awarded \$60 million. The Chair stated that the Budget and Finance Committee must check whether the \$60 million budget had been approved at its next meeting.

## **7. Adjournment**

Chair Arakawa proposed a motion to adjourn, and Mr. White seconded it. The motion was carried unanimously. The meeting adjourned at 2:30 pm.

Respectfully submitted,



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Sheillane Reyes  
Recorder